



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
SCOTT COUNTY CLERK**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
SCOTT COUNTY CLERK

Calendar Year 2000

The Auditor of Public Accounts has completed the Scott County Clerk's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$6,307 from the prior calendar year. Revenues increased by \$496,620 from the prior year and disbursements increased by \$487,287.

Report Comment:

- The County Clerk's Office Lacks An Adequate Segregation Of Duties

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

Missing Funds

On March 31, 2000, \$11,460 was discovered missing from the County Clerk's office. The County Clerk informed George Lusby, Scott County Judge/Executive of the matter, who in turn contacted the Kentucky Association of Counties insurance carrier. On July 17, 2000, the insurance carrier reimbursed the missing funds less the county's \$1,000 deductible. As of December 31, 2000, the occurrence was under investigation by a detective with the Scott County Sheriff's Office.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	6
COMMENT AND RECOMMENDATION	11
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	15



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable George Lusby, Scott County Judge/Executive
Honorable Donna B. Perry, Scott County Clerk
Members of the Scott County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Scott County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable George Lusby, Scott County Judge/Executive
Honorable Donna B. Perry, Scott County Clerk
Members of the Scott County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 8, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented a comment and recommendation, included herein, which discusses the following reportable condition:

- The County Clerk's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 8, 2001

SCOTT COUNTY
DONNA B. PERRY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

State Fees For Services	\$	12,646
Fiscal Court		75,726
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$	703,995
Usage Tax		2,900,982
Tangible Personal Property Tax		2,727,515
Licenses-		
Fish and Game		3,333
Marriage		11,764
Miscellaneous		7,652
Deed Transfer Tax		150,529
Delinquent Tax		253,362
		6,759,132
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	\$	23,215
Real Estate Mortgages		68,992
Chattel Mortgages and Financing Statements		95,836
Powers of Attorney		3,116
All Other Recordings		41,209
Charges for Other Services-		
Candidate Filing Fees		1,340
Copywork		9,952
		243,660
Other:		
Postage	\$	3,293
Miscellaneous		841
Refunds		12,355
		16,489
Interest Earned		6,141
Gross Receipts	\$	7,113,794

SCOTT COUNTY
DONNA B. PERRY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2000
(Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 528,742

Usage Tax 2,785,508

Tangible Personal Property Tax 993,927

Licenses-

Fish and Game 2,292

Delinquent Tax 42,320

Legal Process Tax 33,525

Candidate Filing Fees 600

Miscellaneous 965 \$ 4,387,879

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 295,629

Delinquent Tax 28,173

Deed Transfer Tax 143,002 466,804

Payments to Other Districts:

Tangible Personal Property Tax \$ 1,326,735

Delinquent Tax 121,806 1,448,541

Payments to Sheriff

4,513

Payments to County Attorney

39,697

Operating Disbursements:

Refunds \$ 44,716

Postage 218

Miscellaneous 4,428 49,362

Money Stolen (Note 5)

11,460

Total Disbursements

\$ 6,408,256

SCOTT COUNTY
DONNA B. PERRY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2000
(Continued)

Net Receipts		\$	705,538
Less: Statutory Maximum			<u>63,542</u>
Excess Fees		\$	641,996
Less: Expense Allowance	\$	3,600	
Training Incentive Pay		<u>1,375</u>	<u>4,975</u>
Excess Fees Due County for Calendar Year 2000		\$	637,021
Payments to County Treasurer - Monthly			<u>637,021</u>
Balance Due at Completion of Audit		\$	<u><u>0</u></u>

The accompanying notes are an integral part of the financial statement.

SCOTT COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

SCOTT COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives during calendar year 1989, in the amount of \$40,256. The beginning balance on January 1, 2000 was \$940. No funds were expended in calendar year 2000 and interest earned totaled \$22. The unexpended balance was \$962 as of December 31, 2000.

Note 5. Missing Funds

On March 31, 2000, \$11,460 was discovered missing from the County Clerk's office. The County Clerk informed George Lusby, Scott County Judge/Executive of the matter, who in turn contacted the Kentucky Association of Counties insurance carrier. The County Clerk remits net receipts to the County Treasurer on a monthly basis. On July 17, 2000, the insurance carrier reimbursed the missing funds less the county's \$1,000 deductible directly to the County Treasurer. As of December 31, 2000, the occurrence was under investigation by a detective with the Scott County Sheriff's Office.

THIS PAGE LEFT BLANK INTENTIONALLY

COMMENT AND RECOMMENDATION

SCOTT COUNTY
DONNA B. PERRY, COUNTY CLERK
COMMENT AND RECOMMENDATION

Calendar Year 2000

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

The County Clerk's Office Lacks Adequate Segregation Of Duties

We noted the lack of an adequate segregation of duties for the internal control structure and its operation that in our judgement is a reportable condition under standards established by the American institute of Certified Public Accountants. Due to the entity's diversity of official operations and budget restrictions the official has limited options for establishing an adequate segregation of duties. Management has considered and rejected additional cost when setting budget limits on spending for salaries and therefore accepts the degree of risk for a lack of an adequate segregation of duties. Therefore, the Auditor of Public Accounts has judged the lack of an adequate segregation of duties as a reportable condition.

County Clerk's Response:

None.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable George Lusby, Scott County Judge/Executive

Honorable Donna B. Perry, Scott County Clerk Members of the Scott County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Scott County Clerk for the year ended December 31, 2000, and have issued our report thereon dated August 8, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Scott County Clerk's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Scott County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- The County Clerk's Office Lacks Adequate Segregation Of Duties

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 8, 2001

